

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /133 W  
-----111366 290034Z /15

R 271917Z JUL 78

FM AMEMBASSY ASUNCION

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 3613

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L ASUNCION 3052

EO 11652: GDS

TAGS: PFOR ENRG PA BR

SUBJECT: BRAZIL'S REJECTION OF RENEGOTIATION OF ITAIPU ELECTRICITY  
PRICE

1. PARAGUAYANS HAVE BEEN SHOCKED BY THE BRAZILIAN FOREIGN MINISTRY'S  
FAST SLAP-DOWN OF THE PARAGUAYAN DIRECTOR OF ITAIPU FOR HIS REMARKS  
ON READJUSTING THE PRICE OF THE ELECTRICITY THAT PARAGUAY WILL RECEIV  
E  
FROM SALE TO BRAZIL OF ITS SHARE OF THE POWER GENERATED BY THE DAM.  
THE DIRECTOR, ENZO DEBERNARDI, HAD BEEN QUOTED BY SAO PAULO NEWSPAPER  
S  
AS EXPRESSING THE VIEW THAT A NEW PRICE FOR THE POWER WAS NECESSARY,  
BECAUSE OF CHANGES IN THE SITUATION SINCE THE TREATY'S SIGNING IN 197  
3,  
ESPECIALLY THE NAGE OF THE VALUE OF THE DOLLAR IN TERMS OF GOLD AND  
THE INCREASE IN PRICE OF OTHER SOURCES OF ENERGY. ASUNCION'S DAILIEES  
CARRIED THE SAO PAULO INTERVIEW, PLAYING IT UP AS A DEMAND FOR  
RENEGOTIATION.

2. ACCORDING TO PRESS REPORTS FROM BRASILIA, THE FOREIGN MINISTRY,  
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THROUGH SPOKESMAN LUIS FELIPE LAMPREIA, QUICKLY REACTED TO THE  
PUBLISHED REMARKS OF DEBERNARDI, SAYING THAT BRAZIL WAS NOT GOING  
TO RENEGOTIATE ANY PART OF THE TREATY.  
THE DAILY ABC IN AN EDITORIAL OF JULY 27  
CHARACTERIZED THE BRAZILIAN REBUKE TO DEBERNARDI AS "OLD-STYLE  
IMPERIALISM" AND DREW A COMPARISON BETWEEN ITAIPU AND THE PANAMA  
CANAL. ACCORDING TO ABC, "THERE IS NO UNJUST TREATY THAT CAN

ENDURE." "NO PAST MISTAKE," THE EDITORIAL WENT ON," -- AND THERE WERE MANY MADE BY THE PARAGUAYAN NEGOTIATORS, INCLUDING DEBERNARDI -- CAN AFFECT THE JUSTICE OF A LEGITIMATE CAUSE."

3. IN A STATEMENT TO THE DAILY "HOY," DEBERNARDI HAS TRIED TO CALM THE SITUATION DOWN BY SAYING THAT NO ONE HAS SPOKEN OF A RENEGOTIATION OF THE TREATY, ONLY OF A READJUSTMENT OF THE PRICE, WHICH IS ALLOWED BY THE TERMS OF THE TREATY.

3. COMMENT DEBARNARDI'S PUBLIC CALM MAY WELL MASK A PRIVATE FURY. ASSUMING THAT THE PRESS REPORTS ARE ACCURATE, THERE IS NO DOUBT THAT THE BRAZILIAN FOREIGN MINISTRY PUT HIM DOWN AND PUT HIM DOWN QUITE PUBLICLY AND DELIBERATELY. THE MANNER OF THE BRAZILIAN ACTION IS AN UNNEEDED REMINDER OF THE DOMINANT POSITION HER GIANT NEIGHBOR HAS IN RELATION TO PARAGUAY. IN A PERIOD OF STRAINED US-PARAGUAYAN RELATIONS, IT ALSO SERVES TO REMIND THE PARAGUAYANS HOW USEFUL TO THEM IS THE GOOD WILL OF THE UNITED STATES WHEN FACING A NEIGHBOR LIKE BRAZIL.

5. EVER SINCE TERMS OF THE TREATY BECAME KNOWN IN PARAGUAY, THERE HAS BEEN PRESS AND PUBLIC CRITICISM OF ITS TERMS BECAUSE OF ITS BIAS TOWARD SALE OF PARAGUAY'S SHARE OF THE ELECTRICITY PRODUCED AT AN UNFAVORABLE PRICE. THERE HAVE ALSO BEEN ACCUSATIONS THAT THE NEGOTIATORS WERE BRIBED BY BRAZIL TO GO ALONG WITH THE TERMS OF THE TREATY AND THAT THERE HAVE BEEN LARGE RAKE-OFFS SINCE ON THE CONSTRUCTION. HIGHLY-PLACED BRAZILIANS KNOW WHERE CONFIDENTIAL

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ALL THESE BODIES ARE BURIED AND MAY WELL BE INDIGNANT ABOUT PARAGUAYAN PRESEPTION TO RENEGOTIATE THE PRICE. BRAZIL MAY WELL BELIEVE THAT PARAGUAY IS BEING MORE THAN ADQUATELY COMPENSATED FOR THE FACT OF GEOGRAPHY THAT IT OWNS HALF THE RIVER AT THE DAMSITE.

6. EMBASSY ASUNCION WOULD BE INTERESTED-IN EMBASSY BRASILIA'S THOUGHTS ON WHY THE FOREIGN MINISTRY FELT OBLIGATED TO SHOOT DOWN DEBERNARDI WHEN THEY MIGHT WELL HAVE IGNORED HIS REMARKS. END COMMENT.

WHITE

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRICES, ELECTRIC POWER  
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**Draft Date:** 27 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**TAGS:** PFOR, ENRG, PA, BR  
**To:** BRASILIA  
**Type:** TE  
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**Review Markings:**  
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